

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2002***

**RICHARD D. JONES, TREASURER**





**Auditor of State  
Betty Montgomery**

Board of Education  
Southwest Licking Local School District  
927 South Street  
Etna, Ohio 43018

We have reviewed the Independent Auditor's Report of the Southwest Licking Local School District, Licking County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southwest Licking Local School District is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

March 11, 2003

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**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

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# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## Independent Auditor's Report

Board of Education  
Southwest Licking Local School District  
927 South Street  
Etna, Ohio 43018-0180

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Licking Local School District, Licking County (the "District") as of and for the fiscal year ended June 30, 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 3 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, for the fiscal year ended June 30, 2002.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2002, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southwest Licking School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Trimble, Julian & Grube, Inc.  
January 22, 2003

## **Southwest Licking Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002  
Unaudited*

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As management of the Southwest Licking Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Southwest Licking Local School District for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the financial statements.

### **Financial Highlights**

Key financial highlights for the fiscal year 2002 are as follows:

- Net assets of governmental activities decreased \$1,178,478.
- General revenues accounted for \$21,633,116 in revenue or 85 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,744,838 or 15 percent of total revenues of \$25,377,954.
- Total assets of governmental activities decreased \$1,446,085 or 3.2 percent, as the major changes are a result of a decrease in equity in pooled cash and cash equivalents of \$3,329,995 and an increase in fixed assets of \$1,548,894, these changes were due mainly to the completion of school building construction on the high school and middle school.
- Total liabilities of governmental activities decreased slightly by \$267,607 to \$36,945,191. Long-term liabilities such as debt, sick leave benefits, retirement incentives, and capital leases make up 69 percent of the total liabilities.
- The School District had \$26,556,432 in expenses related to governmental activities; only \$3,744,838 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$21,633,116 were adequate to provide for these programs.
- The School District only has two major funds; the general fund and the debt service fund. The general fund had \$20,806,833 in revenues and \$21,723,520 in expenditures. The general fund's balance decreased \$789,770. The debt service fund had \$1,973,496 in revenues and \$2,262,120 in expenditures. The debt service fund balance decreased by \$288,624.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Southwest Licking Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

## Southwest Licking Local School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002  
Unaudited*

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### ***Reporting the School District as a Whole***

#### *Statement of New Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2002?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District's activities are considered to be all Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and bond service operations.

### ***Reporting the School District's Most Significant Funds***

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 17. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Southwest Licking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2002*

*Unaudited*

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2002 compared to 2001.

	Table 1	
	Net Assets	
	Governmental Activities	
	2002	2001
<b>Assets</b>		
Current and Other Assets	\$16,460,393	\$19,455,372
Capital Assets	27,806,372	26,257,478
<b>Total Assets</b>	<b>44,266,765</b>	<b>45,712,850</b>
<b>Liabilities</b>		
Long-Term Liabilities	25,495,327	26,251,319
Other Liabilities	11,449,864	10,961,479
<b>Total Liabilities</b>	<b>36,945,191</b>	<b>37,212,798</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	5,230,344	4,931,773
Restricted	2,687,273	5,284,325
Unrestricted	(596,043)	(1,716,046)
<b>Total Net Assets</b>	<b>\$7,321,574</b>	<b>\$8,500,052</b>

Total assets decreased \$1,446,085. The majority of the decrease in current and other assets was due to a decrease in equity in pooled cash and cash equivalents of \$3,329,995. Capital assets increased by \$1,548,894. The decrease in cash and cash equivalents and the increase in capital assets were due mainly to the completion of school building construction on the high school and middle school.

Total liabilities decreased \$267,607. The majority of the decrease was due to the \$755,992 net reduction of long-term liabilities, \$302,750 reduction in contracts payable, and the increase of \$709,729 in deferred revenue.

The significant changes in the long-term liabilities is a result of the payoff of the Energy Conservation Notes of \$120,000, \$20,000 payment on the Etna Elementary School Improvement Bond, an \$850,000 payment on the School Improvement Bond, and net additions of \$234,008 to capital leases, sick leave benefits, and the retirement incentive liability. The decrease in contracts payable is due to the fact the majority of the \$19,120,000 construction project that was approved by voters in November 1998 was completed as of June 30, 2002. The increase in deferred revenue is directly related to the increase in taxes receivable at June 30, 2002.

**Southwest Licking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2002*

*Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2002. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2001 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

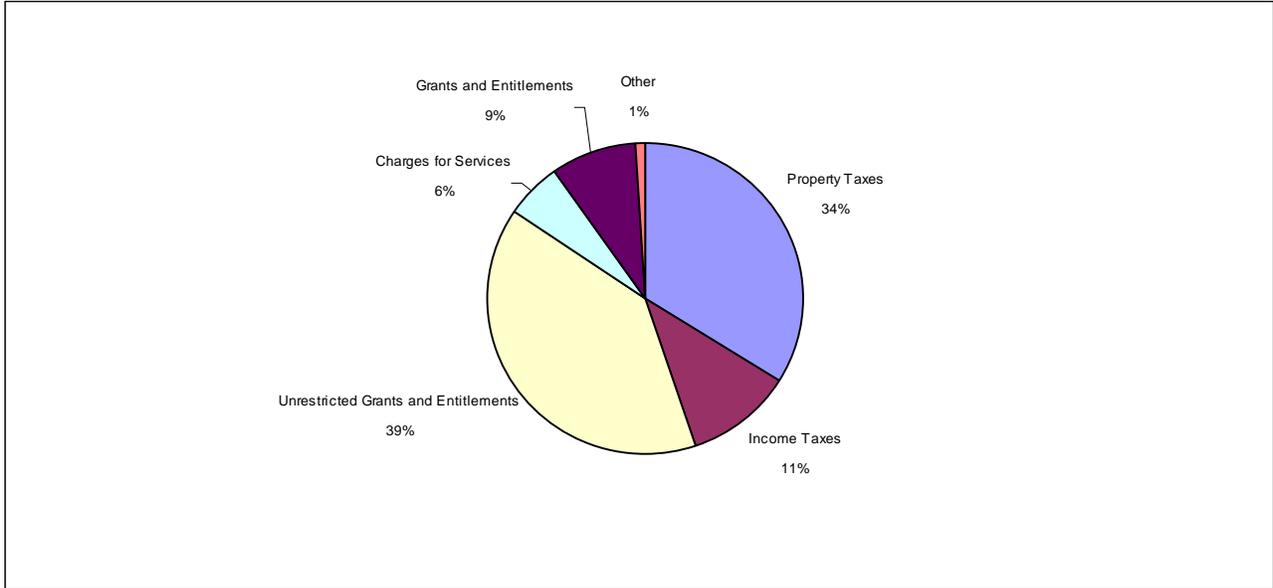
Table 2  
Changes in Net Assets

	Governmental Activities 2002
<b>Revenues</b>	
Program Revenues	
Charges for Services	\$1,457,058
Operating Grants, Contributions, and Interest	2,183,752
Capital Grants and Contributions	104,028
General Revenue	
Property Taxes	8,569,459
Income Taxes	2,770,958
Grants and Entitlements	10,100,950
Investment Earnings	180,269
Miscellaneous	11,480
Total Revenues	<u>\$25,377,954</u>
<b>Program Expenses</b>	
Instruction	
Regular	10,745,078
Special	1,826,443
Vocational	480,067
Support Services	
Pupil	1,357,240
Instructional Staff	1,127,652
Board of Education	40,317
Administration	1,987,526
Fiscal	805,942
Business	168,326
Operation and Maintenance of Plant	2,459,163
Pupil Transportation	1,648,514
Central	660,250
Operation of Non-Instructional Services:	
Food Service Operations	788,332
Other	132,608
Extracurricular Activities	1,064,151
Interest and Fiscal Charges	1,264,823
Total Expenses	<u>26,556,432</u>
Decrease in Net Assets	<u>(\$1,178,478)</u>

**Southwest Licking Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*  
*Unaudited*

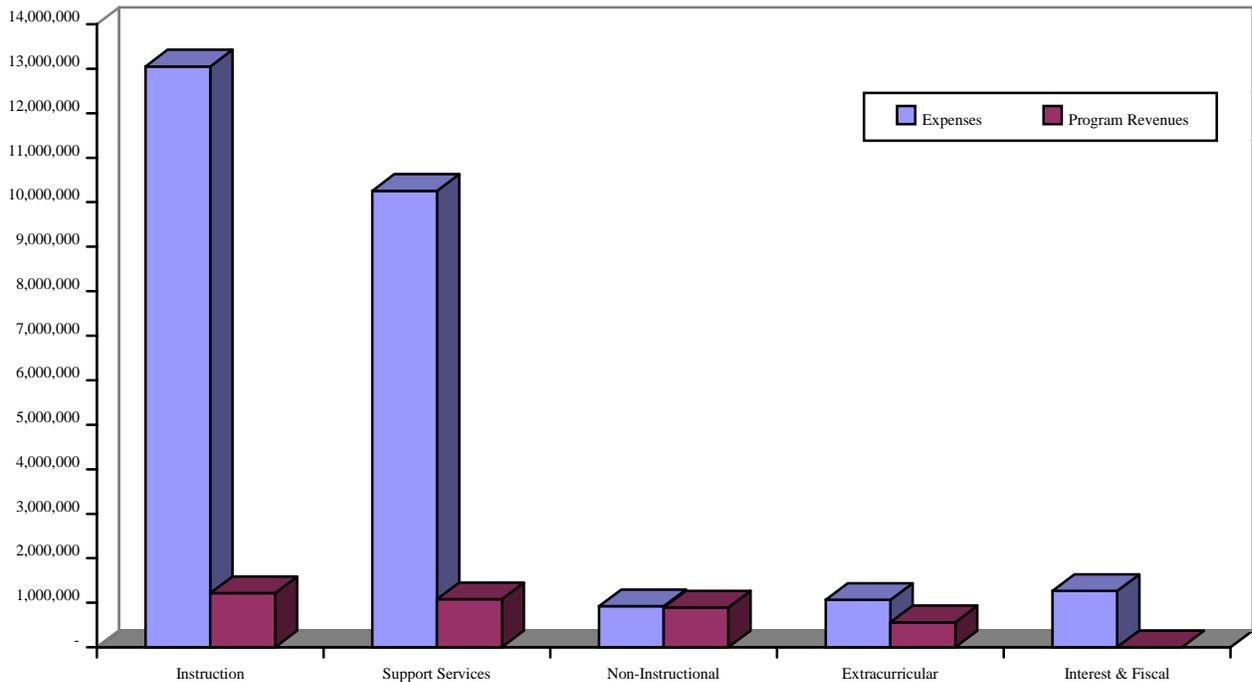
**Revenue by Source – Governmental Activities**

**June 30, 2002**



**Expenses and Program Revenues - Governmental Activities**

**June 30, 2002**



**Southwest Licking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2002*

*Unaudited*

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Over the past several years the School District has remained in a stable financial position and has experienced a significant amount of growth. The District is located in Licking and Fairfield Counties, and includes all of the City of Pataskala, the Village of Kirkersville and portions of Etna, Harrison, St. Albans, and Union Townships in Licking County and Liberty Township in Fairfield County. The total assessed values, upon which taxes are collected, increased by \$18,379,490 from fiscal year 2001 to fiscal year 2002.

During fiscal year 2002, the School District materially completed the \$19 million capital facilities renovation that was approved by the voters in November 1998. On January 16, 2003, the School District Board approved the placement of a \$16,600,000 capital improvement bond issue back on the May of 2003 ballot for capital construction. This issue was defeated in the November of 2002 election.

The DeRolf III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 34 percent of revenues for governmental activities for the Southwest Licking Local School District in fiscal year 2002.

Instruction comprises approximately 49 percent of governmental program expenses and support services make up approximately 38 percent of the program expenses of the District.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2001 have not been made since they are not available.

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**Southwest Licking Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002  
Unaudited*

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Table 3  
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2002</u>	<u>2002</u>
Program Expenses		
Instruction:		
Regular	\$ 10,745,078	\$10,490,783
Special	1,826,443	930,674
Vocational	480,067	415,879
Support Services:		
Pupil	1,357,240	1,351,578
Instructional Staff	1,127,652	958,121
Board of Education	40,317	40,317
Administration	1,987,526	1,983,350
Fiscal	805,942	805,532
Business	168,326	166,956
Operation and Maintenance of Plant	2,459,163	2,435,123
Pupil Transportation	1,648,514	839,103
Central	660,250	595,533
Operation of Non-Instructional Services:		
Food Service Operations	788,332	(34,265)
Other	132,608	62,507
Extracurricular Activities	1,064,151	505,580
Interest and Fiscal Charges	1,264,823	1,264,823
Total	<u>\$26,556,432</u>	<u>\$22,811,594</u>

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. Only 14 percent of the governmental activities performed by the District are supported through program revenues such as charges for services, grants, contributions, and interest. The remaining 86 percent is provided through taxes and entitlements.

**The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$25,508,723 and expenditures of \$28,977,995. As previously discussed, the School District remains financially stable.

**Southwest Licking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2002*

*Unaudited*

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***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2002, the School District amended its general fund budget, but not significantly. The School District closely monitors its resources and uses and if necessary, modifies the budgetary documents on a timely basis.

For the general fund, budget basis revenue was \$20,324,307, which was above original estimates of \$19,481,049. Of this \$843,258 difference, most was due to an increase of intergovernmental resources from the original budget.

The School District's ending unobligated cash balance was \$2,646,743.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2002, the School District had \$27,806,372 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2002 balances compared to 2001.

Table 4  
Capital Assets at June 30, 2001  
(Net of Depreciation)

	Governmental Activities	
	2002	2001
Land	\$754,314	\$754,314
Land Improvements	328,315	231,076
Buildings and Improvements	23,563,271	14,564,114
Furniture and Equipment	1,974,197	1,938,297
Vehicles	716,409	633,566
Construction in Progress	469,866	8,136,111
Totals	<u>\$27,806,372</u>	<u>\$26,257,478</u>

During fiscal year 2002, the School District made land improvements, purchased various equipment, furniture, and vehicles. In addition, \$9,246,154 was removed from construction in progress and reallocated to buildings and improvements, as the construction related to that asset was considered complete at June 30, 2002.

**Southwest Licking Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002  
Unaudited*

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**Debt**

At June 30, 2002, the School District had \$23,704,967 in bonds, notes, and capital leases outstanding. Due to prudent spending and continuous monitoring of all revenues and expenditures, our bond rating is A.

Table 5  
Outstanding Debt, at Fiscal Year End

	Governmental Activities 2002	Governmental Activities 2001
1999 School Improvement General Obligation Bonds	\$17,630,000	\$18,480,000
1995 Etna Elementary General Obligation Bonds	5,660,000	5,680,000
1991 Energy Conservation Note	0	120,000
Capital Leases	414,967	356,087
Totals	<u>\$23,704,967</u>	<u>\$24,636,087</u>

**Economic Factors**

Southwest Licking Local School District is currently financially stable. However, the School District Board of Education is discussing the need for an operating levy. As the preceding information shows, the School District depends on its property and income taxpayers. Based on the current financial situation, the ability to maintain current program and staffing levels, and the ability to pass a reasonable operating levy in the near future the School District will be able to maintain financial stability.

Based on these factors, the Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the School District as well as careful planning to ensure that significant outlays may be made in the future to address our facility needs.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Richard D. Jones, Treasurer/CFO at Southwest Licking Local School District, P.O. Box 180, Etna, Ohio 43018-0180. Or E-Mail at [rdjones@laca.org](mailto:rdjones@laca.org).

**Southwest Licking Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2002*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,601,332
Cash and Cash Equivalents in Segregated Accounts	8,652
Materials and Supplies Inventory	6,446
Inventory Held for Resale	9,358
Income Taxes Receivable	1,272,449
Accrued Interest Receivable	31,474
Prepays	21,967
Intergovernmental Receivable	131,260
Accounts Receivable	9,870
Taxes Receivable	9,367,585
Nondepreciable Capital Assets	754,314
Depreciable Capital Assets, Net	<u>27,052,058</u>
<i>Total Assets</i>	<u>44,266,765</u>
<b>Liabilities</b>	
Accounts Payable	77,585
Matured Capital Leases Payable	5,862
Matured Interest Payable	2,089
Accrued Wages	1,898,099
Matured Sick Leave Benefit Payable	44,527
Contracts Payable	43,088
Retainage Payable	65,637
Settlement Payable	27,600
Accrued Interest Payable	96,792
Vacation Benefit Payable	65,144
Intergovernmental Payable	691,144
Deferred Revenue	8,432,297
Long-Term Liabilities:	
Due Within One Year	1,370,568
Due In More Than One Year	<u>24,124,759</u>
<i>Total Liabilities</i>	<u>36,945,191</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	5,230,344
Restricted for:	
Capital Projects	1,372,541
Debt Service	630,794
Other Purposes	683,938
Unrestricted (Deficit)	<u>(596,043)</u>
<i>Total Net Assets</i>	<u><u>\$7,321,574</u></u>

See accompanying notes to the basic financial statements

**Southwest Licking Local School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2002*

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Revenue and
					Changes in
					Net Assets
<b>Governmental Activities</b>					<b>Governmental Activities</b>
Instruction:					
Regular	\$10,745,078	\$163,123	\$91,172	\$0	(\$10,490,783)
Special	1,826,443	109,263	786,506	0	(930,674)
Vocational	480,067	0	64,188	0	(415,879)
Support Services:					
Pupil	1,357,240	0	5,662	0	(1,351,578)
Instructional Staff	1,127,652	418	165,885	3,228	(958,121)
Board of Education	40,317	0	0	0	(40,317)
Administration	1,987,526	0	4,176	0	(1,983,350)
Fiscal	805,942	381	29	0	(805,532)
Business	168,326	1,370	0	0	(166,956)
Operation and Maintenance of Plant	2,459,163	13,437	0	10,603	(2,435,123)
Pupil Transportation	1,648,514	43	751,223	58,145	(839,103)
Central	660,250	1,095	31,570	32,052	(595,533)
Operation of Non-Instructional Services:					
Food Service Operations	788,332	647,233	175,364	0	34,265
Other	132,608	594	69,507	0	(62,507)
Extracurricular Activities	1,064,151	520,101	38,470	0	(505,580)
Interest and Fiscal Charges	1,264,823	0	0	0	(1,264,823)
<b>Totals</b>	<b>\$26,556,432</b>	<b>\$1,457,058</b>	<b>\$2,183,752</b>	<b>\$104,028</b>	<b>(\$22,811,594)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	6,189,233
Debt Service	1,758,553
Capital Outlay	621,673

Income Taxes Levied for

General Purposes	2,770,958
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Grants and Entitlements not Restricted to Specific Programs

Investment Earnings	180,269
Miscellaneous	11,480

**Total General Revenues** 21,633,116

*Change in Net Assets* (1,178,478)

*Net Assets Beginning of Year - See Note 3* 8,500,052

*Net Assets End of Year* \$7,321,574

See accompanying notes to the basic financial statements

**Southwest Licking Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2002*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,846,554	\$534,294	\$2,214,409	\$5,595,257
Cash and Cash Equivalents in Segregated Accounts	6,981	0	1,671	8,652
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	6,075	0	0	6,075
Receivables:				
Property Taxes	6,838,519	1,844,284	684,782	9,367,585
Income Taxes	1,272,449	0	0	1,272,449
Accounts	8,197	0	1,673	9,870
Intergovernmental	68,976	0	62,284	131,260
Accrued interest	26,568	0	4,906	31,474
Interfund Receivable	0	0	3,450	3,450
Prepays	21,967	0	0	21,967
Materials and Supplies Inventory	5,386	0	1,060	6,446
Inventory Held for Resale	0	0	9,358	9,358
<b>Total Assets</b>	<b>\$11,101,672</b>	<b>\$2,378,578</b>	<b>\$2,983,593</b>	<b>\$16,463,843</b>
<b>Liabilities</b>				
Accounts Payable	\$64,649	\$0	\$12,936	\$77,585
Contracts Payable	0	0	43,088	43,088
Retainage Payable	0	0	65,637	65,637
Accrued Wages	1,793,823	0	104,276	1,898,099
Matured Sick Leave Benefit Payable	44,527	0	0	44,527
Interfund Payable	3,450	0	0	3,450
Intergovernmental Payable	481,741	0	9,621	491,362
Matured Interest Payable	2,089	0	0	2,089
Matured Capital Leases Payable	5,862	0	0	5,862
Settlement Payable	27,600	0	0	27,600
Deferred Revenue	6,604,297	1,739,715	697,661	9,041,673
<b>Total Liabilities</b>	<b>9,028,038</b>	<b>1,739,715</b>	<b>933,219</b>	<b>11,700,972</b>
<b>Fund Balances</b>				
Reserved for Encumbrances	148,749	0	766,614	915,363
Reserved for Unclaimed Monies	517	0	0	517
Reserved for Property Taxes	300,611	92,235	24,046	416,892
Reserved for Budget Stabilization	5,152	0	0	5,152
Reserved for Bus Purchase	923	0	0	923
Unreserved, Undesignated, Reported in:				
General Fund	1,617,682	0	0	1,617,682
Special Revenue Funds	0	0	671,874	671,874
Debt Service Fund	0	546,628	0	546,628
Capital Projects Funds	0	0	587,840	587,840
<b>Total Fund Balances</b>	<b>2,073,634</b>	<b>638,863</b>	<b>2,050,374</b>	<b>4,762,871</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$11,101,672</b>	<b>\$2,378,578</b>	<b>\$2,983,593</b>	<b>\$16,463,843</b>

See accompanying notes to the basic financial statements

**Southwest Licking Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2002*

<b>Total Governmental Fund Balances</b>		\$4,762,871
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		27,806,372
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	425,286	
Income Taxes	121,609	
Accrued Interest	17,513	
Grants	39,835	
Student Fees	5,133	609,376
Intergovernmental payables includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(199,782)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(23,290,000)	
Accrued Interest Payable	(96,792)	
Capital Leases Payable	(414,967)	
Sick Leave Benefit Payable	(1,740,360)	
Retirement Incentive Payable	(50,000)	
Vacation Benefit Payable	(65,144)	(25,657,263)
Net Assets of Governmental Activities		\$7,321,574

See accompanying notes to the basic financial statements

**Southwest Licking Local School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2002*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$6,205,898	\$1,749,565	\$618,089	\$8,573,552
Income Taxes	2,840,069	0	0	2,840,069
Intergovernmental	11,204,478	223,931	891,645	12,320,054
Interest	168,549	0	89,579	258,128
Tuition and Fees	342,738	0	0	342,738
Extracurricular Activities	0	0	447,858	447,858
Rentals	8,420	0	0	8,420
Charges for Services	0	0	634,521	634,521
Contributions and Donations	25,201	0	45,310	70,511
Miscellaneous	11,480	0	1,392	12,872
Total Revenues	<u>20,806,833</u>	<u>1,973,496</u>	<u>2,728,394</u>	<u>25,508,723</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,093,922	0	112,974	10,206,896
Special	1,458,283	0	325,102	1,783,385
Vocational	451,072	0	677	451,749
Support Services:				
Pupils	1,283,858	0	7,968	1,291,826
Instructional Staff	878,645	0	125,958	1,004,603
Board of Education	41,650	0	0	41,650
Administration	1,892,648	0	8,706	1,901,354
Fiscal	729,778	30,758	11,538	772,074
Business	35,724	0	0	35,724
Operation and Maintenance of Plant	2,111,962	0	28,711	2,140,673
Pupil Transportation	1,469,727	0	0	1,469,727
Central	375,794	0	63,509	439,303
Operation of Non-Instructional Services:				
Food Service Operations	0	0	791,011	791,011
Other Non-Instructional Services	0	0	61,427	61,427
Extracurricular Activities	520,780	0	485,525	1,006,305
Capital Outlay	287,209	0	2,969,249	3,256,458
Debt Service:				
Principal Retirement	65,873	990,000	0	1,055,873
Interest and Fiscal Charges	26,595	1,241,362	0	1,267,957
Total Expenditures	<u>21,723,520</u>	<u>2,262,120</u>	<u>4,992,355</u>	<u>28,977,995</u>
Excess of Revenues Under Expenditures	<u>(916,687)</u>	<u>(288,624)</u>	<u>(2,263,961)</u>	<u>(3,469,272)</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Fixed Assets	2,164	0	0	2,164
Inception of a Capital Lease	124,753	0	0	124,753
Total Other Financing Sources	<u>126,917</u>	<u>0</u>	<u>0</u>	<u>126,917</u>
Net Change in Fund Balances	(789,770)	(288,624)	(2,263,961)	(3,342,355)
Fund Balances Beginning of Year Restated (Note 3)	<u>2,863,404</u>	<u>927,487</u>	<u>4,314,335</u>	<u>8,105,226</u>
Fund Balances End of Year	<u>\$2,073,634</u>	<u>\$638,863</u>	<u>\$2,050,374</u>	<u>\$4,762,871</u>

See accompanying notes to the basic financial statements

**Southwest Licking Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2002*

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**Net Change in Fund Balances - Total Governmental Funds** (\$3,342,355)

*Amounts reported for governmental activities in the statement of activities  
are different because*

statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current outlays exceeded depreciation in the current period.

Fixed Asset Additions	2,759,645	
Depreciation Expense	(1,205,460)	1,554,185

in the governmental funds. However, the book value of the fixed assets sold is removed from the capital assets account in the statement of net assets and offset against the sale proceeds resulting in a "loss on sale of capital asset" in the statement of activities.

(5,292)

resources are not reported as revenues in the funds:

Interest	14,888	
Student Fees	(1,146)	
Grants	(1,835)	
Delinquent Taxes	(4,093)	
Income Taxes	(69,111)	
Tuition from Other School Districts	(69,472)	(130,769)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

990,000

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.

3,134

Some capital assets were financed through capital leases. In governmental funds,

statement of net assets the lease obligation is reported as a liability.

(124,753)

governmental funds.

Intergovernmental Payable	(5,782)	
Capital Leases Payable	65,873	
Vacation Benefits Payable	(7,591)	
Retirement Incentive Payable	(30,000)	
Sick Leave Benefit Payable	(145,128)	(122,628)

*Change in Net Assets of Governmental Activities*

(\$1,178,478)

See accompanying notes to the basic financial statements

**Southwest Licking Local School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
**General Fund**  
For the Fiscal Year Ended June 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$6,117,626	\$6,029,083	\$6,455,653	\$426,570
Income Taxes	2,844,310	2,844,310	2,770,374	(73,936)
Intergovernmental	10,089,638	10,930,301	11,201,244	270,943
Interest	200,500	200,363	164,430	(35,933)
Tuition and Fees	216,975	295,850	306,952	11,102
Rent	7,000	7,000	7,820	820
Gifts and Donations	0	7,700	25,201	17,501
Miscellaneous	5,000	8,700	17,376	8,676
<i>Total Revenues</i>	19,481,049	20,323,307	20,949,050	625,743
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,411,631	9,845,688	9,605,641	240,047
Special	1,438,100	1,371,321	1,392,893	(21,572)
Vocational	482,939	472,595	481,920	(9,325)
Other	266,174	465,141	360,310	104,831
Support Services:				
Pupils	1,317,211	1,336,384	1,263,464	72,920
Instructional Staff	923,402	936,394	892,406	43,988
Board of Education	25,511	49,429	41,109	8,320
Administration	1,950,496	1,925,694	1,888,842	36,852
Fiscal	442,657	656,032	683,648	(27,616)
Business	86,955	127,580	104,271	23,309
Operation and Maintenance of Plant	2,048,587	2,255,492	2,127,824	127,668
Pupil Transportation	1,488,581	1,544,726	1,443,856	100,870
Central	475,362	473,122	406,551	66,571
Extracurricular Activities	414,933	487,723	522,034	(34,311)
Capital Outlay	401,317	346,916	297,913	49,003
<i>Total Expenditures</i>	22,173,856	22,294,237	21,512,682	781,555
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,692,807)	(1,970,930)	(563,632)	1,407,298
<b>Other Financing Source</b>				
Proceeds from Sale of Fixed Assets	0	1,000	2,164	1,164
<i>Net Change in Fund Balance</i>	(2,692,807)	(1,969,930)	(561,468)	1,408,462
<i>Fund Balance Beginning of Year</i>	3,041,993	3,041,993	3,041,993	0
<i>Prior Year Encumbrances Appropriated</i>	166,218	166,218	166,218	0
<i>Fund Balance End of Year</i>	\$515,404	\$1,238,281	\$2,646,743	\$1,408,462

See accompanying notes to the basic financial statements

**Southwest Licking Local School District, Ohio**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2002*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$9,481
Accrued Interest Receivable	74
	<hr/>
<i>Total Assets</i>	<i>\$9,555</i>
	<hr/> <hr/>
<b>Liabilities</b>	
Due to Students	\$9,555
	<hr/>
<i>Total Liabilities</i>	<i>\$9,555</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statements

## Southwest Licking Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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### **Note 1 - Description of the School District and Reporting Entity**

The Southwest Licking Local School District (the School District®) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1953 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 65 square miles. It is located in Licking County, and includes all of the City of Pataskala, the Village of Kirkersville and portions of Etna, Harrison, St. Albans, and Union Townships in Licking County and Liberty Township in Fairfield County. The School District is staffed by 129 classified employees, 212 certificated full-time teaching personnel, and 13 administrative employees who provide services to 3,325 students and other community members. The School District currently operates six instructional buildings, one administrative building, and one garage.

#### *Reporting Entity*

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Southwest Licking Local School District, this includes general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The following activities are included within the reporting entity:

**Private Schools** - Liberty Union Christian Academy, a private school, operates within the School District's boundaries. Current State legislation provides funding to the private school. This money is received and disbursed on behalf of the private school by the Treasurer of the School District, as directed by the private school in accordance with State rules and regulations. This activity is reflected in a special revenue fund and is included in other governmental funds for financial reporting purposes.

The School District participates in four jointly governed organizations, one related organization, and two insurance purchasing pools. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center, the School Study Council of Ohio, the Pataskala Public Library, the Ohio School Boards Association Workers-Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 19, 20, and 21 to the basic financial statements.

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are descriptions of the School District's major governmental funds:

## Southwest Licking Local School District, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

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**General Fund** The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

**Debt Service Fund** The debt service fund is used to account for the accumulation of resources for, and the payment of, bond principal, interest, and related costs.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Fund Types** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no proprietary funds.

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

### C. Measurement Focus

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (expenses) in total net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

### D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from income taxes is recognized in the period in which the income is earned. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, interest, tuition, grants, fees, and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***E. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as Equity in pooled cash and cash equivalents on the financial statements.

The School District has segregated bank accounts for the payroll and athletic accounts held separately from the School District's central bank account. These checking accounts are presented on the combined balance sheet as Cash and cash equivalents in segregated accounts since they are not required to be deposited into the School District treasury.

During fiscal year 2002, investments were limited to STAR Ohio, repurchase agreements, certificates of deposit, and federal agency securities.

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and certificates of deposit, are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$168,549, which includes \$81,561 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the fiscal year in which services are consumed.

***G. Inventory***

Inventory is presented at the lower of cost or market. Cost is determined on a first-in, first-out basis and is expensed when used on the government-wide financial statements, and recorded as an expenditure when used on the fund financial statements.

Inventory in the governmental funds consists of administrative supplies and donated and purchased food.

***H. Capital Assets***

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-20 years
Buildings and Improvements	20-50 years
Machinery and Equipment	5-15 years
Furniture and Fixtures	5-20 years
Vehicles	5-10 years

***I. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated on the statement of net assets.

***J. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization and unspent revenues restricted for the purchase of buses. See Note 23 for additional information regarding set asides.

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as Avacation benefits payable as the balances are to be used by employees within the calendar year earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after ten years of current service with the School District.

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured sick leave benefit payable" in the funds from which these payments will be made.

***L. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, long-term loans, and capital leases are recognized as a liability on the governmental fund financial statements when due.

***M. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, unclaimed monies, property taxes, budget stabilization, and bus purchase.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. By law, unclaimed monies are not available for appropriation until five years have elapsed.

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

***P. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## Southwest Licking Local School District, Ohio

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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#### ***Q. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect at the time final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

#### **Note 3 - Changes in Accounting Principle and Restatement of Fund Balance**

***Changes in Accounting Principles*** For fiscal year 2002, the School District has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. At June 30, 2002, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

The School District implemented a new fixed asset policy which increased the capitalization threshold of capital assets from five hundred dollars to five thousand dollars. The School District also completed a new appraisal of capital assets.

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between business-type, if any, and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2001, reclassification of funds based on the guidance provided in Statement No. 34, and the conversion to the accrual basis of accounting.

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

**Restatement of Fund Balance** Applying the new guidelines of Statement No. 34, it was determined that the food service enterprise fund should be reclassified as a special revenue fund. In fiscal year 2001, donated commodities on hand were reported as deferred revenue instead of revenue in the food service fund and accrued interest receivable should have had a portion of the receivable reported as deferred revenue within the general fund. The reclassification, these restatements and the implementation of GASB 34 and Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2001	\$2,823,949	\$901,887	\$4,020,047	\$7,745,883
Fund Reclassification	4,416	0	281,617	286,033
Cash Restatement	0	25,600	(25,600)	0
Intergovernmental Payable	38,148	0	20,762	58,910
GASB 33/36 - Unused Donated Commodities	0	0	5,196	5,196
GASB 33 - Deferred Revenue	(2,624)	0	0	(2,624)
Interpretation 6:				
Sick Leave Benefit Payable	15,367	0	12,313	27,680
Matured Capital Leases Payable	(10,741)	0	0	(10,741)
Matured Interest Payable	<u>(5,111)</u>	<u>0</u>	<u>0</u>	<u>(5,111)</u>
Adjusted Fund Balance, June 30, 2001	<u>\$2,863,404</u>	<u>\$927,487</u>	<u>\$4,314,335</u>	<u>\$8,105,226</u>
GASB 34 Adjustments:				
Capital Assets				26,257,478
Long-Term (Deferred ) Assets				740,146
Pension Obligation				(194,000)
Vacation Benefit Payable				(57,553)
Accrued Interest Payable				(99,926)
Long-Term Liabilities				<u>(26,251,319)</u>
Governmental Activities Net Assets, June 30, 2001				<u>\$8,500,052</u>

	<u>Business-type Activities</u>
Fund Equity, June 30, 2001	\$368,785
Fund Reclassification	<u>(368,785)</u>
Adjusted Net Assets, June 30, 2001	<u>\$0</u>

As a result of increasing the threshold for capital assets and the School District completing a new appraisal of capital assets, the amount reported as of June 30, 2001 was decreased to \$26,257,478.

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 4 – Accountability**

The following fund had a deficit fund balance as of June 30, 2002:

<u>Special Revenue Fund</u>	Deficit
Title I	<u>Fund Balance</u> (\$24,306)

The deficit balance in the special revenue fund is the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$789,770)
Net Adjustment for Revenue Accruals	146,328
Fair Market Value Change	(4,111)
Prepaid Items	(4,276)
Net Adjustment for Expenditure Accruals	292,136
Adjustment for Encumbrances	<u>(201,775)</u>
Budget Basis	<u><u>(\$561,468)</u></u>

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 6 - Deposits and Investments**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$1,799,491 and the bank balance was \$2,494,727. Of the bank balance:

1. \$406,033 was covered by federal depository insurance; and
2. \$2,088,694 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 2	Category 3	Carrying and Fair Value
STAR Ohio	\$0	\$0	\$3,346,198
Repurchase Agreements	0	312	312
Federal National Mortgage Association Discount Note	473,464	0	473,464
Total	<u>\$473,464</u>	<u>\$312</u>	<u>\$3,819,974</u>

The federal agency securities have maturities to January 2003.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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	Cash and	
	<u>Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$5,619,465	\$0
Investment which is part of the Cash Management Pool:		
STAR Ohio	(3,346,198)	3,346,198
Repurchase Agreements	(312)	312
Federal National Mortgage Association Discount Note	<u>(473,464)</u>	<u>473,464</u>
GASB Statement 3	<u>\$1,799,491</u>	<u>\$3,819,974</u>

**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2002 taxes were collected are:

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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	<u>2001 Second- Half Collections</u>		<u>2002 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/ Residential and Other Real Estate	\$296,567,010	91.10%	\$319,894,440	93.00%
Public Utility Personal	21,944,270	6.70%	15,870,700	4.61%
Tangible Personal Property	<u>7,090,370</u>	<u>2.20%</u>	<u>8,216,000</u>	<u>2.39%</u>
Total	<u><u>\$325,601,650</u></u>	<u><u>100.00%</u></u>	<u><u>\$343,981,140</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$45.15		\$44.88	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2002 tangible personal property tax settlement from Licking County was not received until July of 2002.

The School District receives property taxes from Licking County and Fairfield County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes personal property and public utility taxes which are measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2002 was \$416,892. \$300,611 was available to the general fund, \$92,235 was available to the bond retirement debt service fund, and \$24,046 was available to the permanent improvement capital projects fund at June 30, 2002. Also intended to finance current fiscal year operations is the June 30 personal property tax settlement that was not received until July, 2002 in the amount of \$74,696 in the general fund, \$12,334 in the bond retirement debt service fund, and \$6,080 in the permanent improvement capital projects fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

## **Note 8 – Income Tax**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on February 15, 1990 and remains as a continuous levy. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 9 - Receivables**

Receivables at June 30, 2002, consisted of property taxes, income taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
<b>General Fund</b>	
CAFS Reimbursement	\$5,648
Tuition from Other Districts	62,992
School Lunch Reimbursement	35,634
Eisenhower Grant	1,450
Chapter I	4,691
Chapter II	12,141
Drug Free Schools Grant	776
Class Size Reduction	7,592
Miscellaneous Refunds and Reimbursements	<u>336</u>
Total	<u>\$131,260</u>

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	<u>Balance</u> <u>June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2002</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$754,314	\$0	\$0	\$754,314
Construction in Progress	8,136,111	1,579,909	(9,246,154)	469,866
Total Capital Assets not being depreciated	<u>8,890,425</u>	<u>1,579,909</u>	<u>(9,246,154)</u>	<u>1,224,180</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	316,613	124,055	0	440,668
Buildings and Improvements	18,615,899	9,619,617	0	28,235,516
Furniture and Equipment	3,559,732	423,744	(13,393)	3,970,083
Vehicles	1,856,272	258,474	(170,610)	1,944,136
Total at Historical Cost	<u>24,348,516</u>	<u>10,425,890</u>	<u>(184,003)</u>	<u>34,590,403</u>
Less Accumulated Depreciation				
Land Improvements	(85,537)	(26,816)	0	(112,353)
Buildings and Improvements	(4,051,785)	(620,460)	0	(4,672,245)
Furniture and Equipment	(1,621,435)	(382,553)	8,102	(1,995,886)
Vehicles	<u>(1,222,706)</u>	<u>(175,631)</u>	<u>170,610</u>	<u>(1,227,727)</u>
Total Accumulated Depreciation	<u>(6,981,463)</u>	<u>(1,205,460)</u>	<u>178,712</u>	<u>(8,008,211)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>17,367,053</u>	<u>9,220,430</u>	<u>(5,291)</u>	<u>26,582,192</u>
Governmental Activities Capital Assets, Net	<u>\$26,257,478</u>	<u>\$10,800,339</u>	<u>(\$9,251,445)</u>	<u>\$27,806,372</u>

- Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	445,328
Special	72,858
Vocational	16,452
Support Services:	
Pupil	44,309
Instructional Staff	67,457
Administration	52,853
Fiscal	2,000
Business	2,654
Operation and Maintenance	71,540
Pupil Transportation	195,408
Central	118,078
Extracurricular	48,469
Food Service Operations	<u>68,054</u>
Total Depreciation Expense	<u>\$1,205,460</u>

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 11 - Interfund Balances**

At June 30, 2002, interfund balances of \$3,450 were the result of the School District misposting a receipt into the general fund that should have been posted into the schoolnet professional development special revenue fund.

**Note 12 - Risk Management**

*A. Property and Liability*

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Nationwide Insurance for property and builder's risk insurance and contracted with State Farm Mutual Automobile Insurance Company for fleet insurance. Coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$30,873,800
Boiler and Machinery (\$1,000 deductible)	17,003,900
Inland Marine Coverage (\$250 deductible)	
Hardware	450,000
Software	177,500
Extra Expense	142,500
Public Employee Dishonesty (\$500 deductible)	50,000
Builder's Risk (\$1,000 deductible)	12,089,800
Fleet Insurance	1,000,000

During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to OSP. (See Note 21)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

Educational Institution Legal Liability	
Per occurrence	1,000,000
Aggregate per year	2,000,000
Employee Benefits Liability	
Per occurrence	1,000,000
Aggregate per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2001.

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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***B. Workers Compensation***

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers= Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 21). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers= compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers= compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant=s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the *Equity Pooling Fund*. This *equity pooling* arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP=s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Note 13 - Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation is earned on an employee=s anniversary of their hire date. Any vacation not used by the employee within that year will be lost. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated by employees with no maximum carrying amount. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit.

***B. Health Care Benefits***

The School District provides health and drug insurance for all eligible employees through Medical Mutual of Ohio. The School District pays medical and drug monthly premiums for staff for family and single coverage. The School District also provides dental insurance for all eligible employees through Coresource, Inc. The School District provides life insurance and accidental death and dismemberment insurance to most employees through Coresource, Inc. Premiums are paid from the same funds that pay the employees= salaries.

***C. Retirement Incentive***

The School District offers a \$10,000 retirement incentive to certified employees that retire as soon as the employee is eligible with 30 years of experience. A \$7,500 retirement incentive is given to certified employees that pass up the first year of eligibility but elect to retire in the subsequent year. The retirement incentive is paid out to employees in January following the date of retirement.

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 14 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$168,085, \$122,774, and \$138,433, respectively; 49 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$86,351 represents the unpaid contribution for fiscal year 2002. The balance outstanding is reflected as an intergovernmental payable.

***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$1,061,699, \$951,645, and \$565,053 respectively; 80 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$213,612 represents the unpaid contribution for fiscal year 2002. The balance outstanding is reflected as an intergovernmental payable.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, two members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 15 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$502,910 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$296,762.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 16 - Capitalized Leases**

The School District has entered into capitalized leases for copiers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. The capital leases payable have been recorded on the government-wide statements. The agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30,	Amount
2003	\$121,292
2004	121,291
2005	121,291
2006	95,092
2007	28,829
Total Minimum Lease Payments	\$487,795
Less: Amount Representing Interest	(72,828)
Present Value of Minimum Lease Payments	<u>\$414,967</u>

The equipment has been capitalized in the amount of \$498,710. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2002 totaled \$65,873 in the governmental funds.

Property under Capital Lease	\$498,710
Less: Accumulated Depreciation	(109,086)
Total June 30, 2002	<u>\$389,624</u>

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

**Note 17 - Long Term Obligations**

The changes in the School District's long-term obligations during the year consist of the following:

	<u>Outstanding 6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/02</u>	<u>Due in One Year</u>
<b>Governmental Activities</b>					
Energy Conservation Note 1991 6.625%	\$120,000	\$0	\$120,000	\$0	\$0
Etna Elementary School Improvement Bond 1995 4.3% - 5.75%	5,680,000	0	20,000	5,660,000	35,000
School Improvement Bond 1999 3.1% - 5.15%	18,480,000	0	850,000	17,630,000	965,000
Capital Leases Payable	356,087	124,753	65,873	414,967	91,480
Sick Leave Benefits	1,595,232	367,644	222,516	1,740,360	229,088
Retirement Incentive Payable	<u>20,000</u>	<u>50,000</u>	<u>20,000</u>	<u>50,000</u>	<u>50,000</u>
Total Governmental Activities Long-Term Liabilities	<u>\$26,251,319</u>	<u>\$542,397</u>	<u>\$1,298,389</u>	<u>\$25,495,327</u>	<u>\$1,370,568</u>

On September 1, 1991, the School District issued \$901,823 with 6.625% interest, unvoted energy conservation notes for the purpose of installing energy conservation improvements for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2002. The debt was retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the general fund to the bond retirement debt service fund to meet current fiscal year obligations.

On April 1, 1995, the School District issued School Improvement Bonds for \$6,638,000, with a varying interest rate of 4.3 to 5.75%, for the purpose of constructing, renovating, furnishing, and equipping school buildings. The bond was issued for a twenty-eight year period with final maturity during fiscal year 2023. The debt is being repaid by tax revenues through the bond retirement fund.

On March 15, 1999, the School District also issued School Facilities Construction and Improvement Bonds for \$19,120,000, with a varying interest rate of 3.1 to 5.15%, for the purpose of constructing, renovating, furnishing, and equipping school buildings. The bond was issued for a twenty-eight year period with final maturity during fiscal year 2027. The debt is being repaid by tax revenues through the bond retirement fund. Of the bond proceeds, \$1,128,939 remained unexpended as of June 30, 2001.

The School District's overall legal debt margin was \$8,307,166, with an unvoted debt margin of \$343,981 at June 30, 2002.

Debt service requirements to maturity on the bonds, including \$18,450,121 in interest, are as follows:

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

Fiscal Year Ending June 30,	School Improvement Bonds				
	Issued in Fiscal Year 1995		Issued in Fiscal Year 1999		Total
	Principal	Interest	Principal	Interest	
2003	\$35,000	\$344,525	\$965,000	\$858,800	\$2,203,325
2004	65,000	341,943	490,000	831,998	1,728,941
2005	80,000	338,153	575,000	811,353	1,804,506
2006	95,000	333,535	665,000	786,840	1,880,375
2007	130,000	327,573	90,000	771,695	1,319,268
2008-2012	1,080,000	1,487,820	1,185,000	3,743,891	7,496,711
2013-2017	1,480,000	1,023,668	3,535,000	3,193,613	9,232,281
2018-2022	2,120,000	497,374	4,520,000	1,898,658	9,036,032
2023-2027	575,000	16,530	5,605,000	842,152	7,038,682
<b>Total</b>	<b>\$5,660,000</b>	<b>\$4,711,121</b>	<b>\$17,630,000</b>	<b>\$13,739,000</b>	<b>\$41,740,121</b>

Capital leases will be paid from the general fund. Compensated absences and the retirement incentive will be paid from general fund, food service, title VI-B, and title I special revenue funds.

**Note 18 – Contractual Commitment Note**

Contractor	Purchase Commitments	Amounts Paid as of 06/30/02	Amounts Remaining on Contracts
<i>Building Construction Fund</i>			
Gaber & Associates Inc.	\$129,769	\$93,383	\$36,386
Denier Electric Co., Inc.	110,885	84,692	26,193
K&W Roofing	901,855	735,785	166,070
Cassell & McDonald	555,366	289,267	266,099
Quandel Group Inc.	92,100	35,219	56,881
Globel Fire Protection	171,300	157,120	14,180
Gandee and Associates	30,000	13,348	16,652
City Electric Service Inc.	1,380,912	1,353,695	27,217
Roose Co., Inc.	189,900	155,034	34,866
Tom Sexton & Associates	238,230	194,245	43,985
Matthews Electrical	148,900	79,275	69,625
<b>Total</b>	<b>\$3,949,217</b>	<b>\$3,191,063</b>	<b>\$758,154</b>

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**Note 19 - Jointly Governed Organizations**

***A. Licking Area Computer Association***

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's fixed assets. The School District's total payments to LACA for fiscal year 2002 were \$40,328. Financial statements for LACA can be obtained from their fiscal agent the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

***B. Metropolitan Educational Council***

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 135 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The School District does not participate in the insurance pool. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2002 was \$1,277. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

***C. Central Ohio Special Education Regional Resource Center***

The Central Ohio Educational Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. There is no financial commitment by the School District for its participation in the projects. The School District has one representative on the governing board. The School District did not make any contributions to COSERRC during fiscal year 2002. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

***D. School Study Council of Ohio***

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts maintain active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and voting privileges. School districts that elect to be associate members are entitled to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2002, the Board consisted of fourteen members. In fiscal year 2002, the School District obtained active membership privileges and paid a membership fee of \$785. Financial

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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information may be obtained by contacting the School Study Council of Ohio at 4807 Evanswood Drive, Suite 300, Columbus, Ohio 43229.

**Note 20 – Related Organization**

*Pataskala Public Library*

The Pataskala Public Library is statutorily created as a separate and distinct political subdivision. Seven trustees of the District Library are appointed by the School District. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Due process is required to remove board members. No subsidies are provided by the School District.

**Note 21 – Insurance Purchasing Pools**

*Ohio School Boards Association Workers=Compensation Group Rating Plan*

The School District participates in the Ohio School Boards Association Workers=Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

*Ohio School Plan*

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**Note 22 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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**B. Litigation**

The School District is currently not a party to any material legal proceedings.

**Note 23 - Set asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

In prior years, the School District was also required to set aside money for budget stabilization. Senate Bill 345, effective April 10, 2001, eliminated future set-aside requirements for the budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to the worker-s compensation refunds.

The following cash basis information describes the change in the year end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2001	(\$147,837)	(\$19,120,000)	\$92,023
Current Year Set-aside Requirement	394,742	394,742	0
Current Year Offsets	(18,217)	(61,111)	0
Qualifying Disbursements	<u>(545,261)</u>	<u>(652,353)</u>	<u>(86,871)</u>
Total	<u>(\$316,573)</u>	<u>(\$19,438,722)</u>	<u>\$5,152</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$316,573)</u>	<u>(\$19,120,000)</u>	<u>\$5,152</u>

The School District issued \$19,120,000 in bonds in fiscal year 1999 to provide for the renovation of the middle and high school. This amount is an allowable offset to future years for the capital improvements and maintenance set-aside. Thus, the balance at June 30, 2001 has been restated to reflect this offset. The negative amount is therefore presented as being carried forward to the next fiscal year.

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. These extra amounts in the textbooks and capital acquisition set-asides may be used to reduce the set-aside requirements of future years.

**Note 24 – State School Funding**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school- funding decision is unconstitutional.

**Southwest Licking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2002*

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The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient ...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**Note 25 – Subsequent Event**

On December 19, 2002, the Licking County Court of Common Pleas entered into a judgment in favor of a former employee against the School District resulting from breach of contract from September 24, 2001. The School District has been ordered to pay \$27,600 and post-judgment interest and cost. The School District does not plan to appeal the verdict.

## **SUPPLEMENTAL DATA**

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A) (B) Food Distribution	10.550	N/A	\$ -	\$ 53,540	\$ -	\$ 52,505
(A) (C) School Breakfast Program	10.553	048041-05-PU-2002	4,082		4,082	
(A) (C) National School Lunch	10.555	048041-LL-P4-2002	93,442		93,442	
<b>Total U.S. Department of Agriculture and Nutrition Cluster</b>			<u>97,524</u>	<u>53,540</u>	<u>97,524</u>	<u>52,505</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I	84.010	048041-C1-S1 2000	-		177	
Title I	84.010	048041-C1-S1 2001	-		27,093	
Title I	84.010	048041-C1-S1 2002	180,194		175,893	
<b>Total Title I</b>			<u>180,194</u>		<u>203,163</u>	
Title VI-B	84.027	048041-6B-SF 2001	15,654		52,225	
Title VI-B	84.027	048041-6B-SF 2002	196,250		141,650	
<b>Total Title VI-B</b>			<u>211,904</u>		<u>193,875</u>	
Safe and Drug-Free Schools	84.186	048041-DR-S1 1999	-		274	
Safe and Drug-Free Schools	84.186	048041-DR-S1 2000	1,342		3,682	
Safe and Drug-Free Schools	84.186	048041-DR-S1 2001	-		608	
Safe and Drug-Free Schools	84.186	048041-DR-S1 2002	2,855		1,319	
<b>Total Safe and Drug-Free Schools</b>			<u>4,197</u>		<u>5,883</u>	
Eisenhower Professional Development	84.281	048041-MS-S1 1999	-		3,348	
Eisenhower Professional Development	84.281	048041-MS-S1 2001	1,125		-	
Eisenhower Professional Development	84.281	048041-MS-S1 2002	13,053		13,053	
<b>Total Eisenhower Professional Development</b>			<u>14,178</u>		<u>16,401</u>	
Title VI	84.298	048041-C2-S1 2000	3,213		5,390	
Title VI	84.298	048041-C2-S1 2001	-		1,933	
Title VI	84.298	048041-C2-S1 2002	4,959		4,473	
<b>Total Title VI</b>			<u>8,172</u>		<u>11,796</u>	
Title VI-R	84.340	048041-CR-S1 2000	-		5,211	
Title VI-R	84.340	048041-CR-S1 2001	19,149		22,046	
Title VI-R	84.340	048041-CR-S1 2002	56,077		39,317	
<b>Total Title VI-R</b>			<u>75,226</u>		<u>66,574</u>	
<b>Total U.S. Department of Education</b>			<u>493,871</u>		<u>497,692</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:</b>						
Community Alternative Funding System Program	93.778	N/A	46,772		46,772	
<b>Total Federal Financial Assistance</b>			<u>\$ 638,167</u>	<u>\$ 53,540</u>	<u>\$ 641,988</u>	<u>\$ 52,505</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.  
 (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.  
 (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.  
 (D) This schedule was prepared on the cash basis of accounting.

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Education  
Southwest Licking Local School District  
927 South Street  
Etna, Ohio 43018-0180

We have audited the basic financial statements of Southwest Licking Local School District as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated January 22, 2003. During the fiscal year ended June 30, 2002, the Southwest Licking Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Southwest Licking Local School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance, which we have reported to the management of Southwest Licking Local School District in a separate letter dated January 22, 2003.

Board of Education  
Southwest Licking Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Licking Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Southwest Licking Local School District in a separate letter dated January 22, 2003.

This report is intended for the information and use of the management and Board of Education of Southwest Licking Local School District, federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.  
January 22, 2003

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## **Report on Compliance With Requirements Applicable to Its Major Federal Program And Internal Control Over Compliance in Accordance With *OMB Circular A-133***

Board of Education  
Southwest Licking Local School District  
927 South Street  
Etna, Ohio 43018-0180

### Compliance

We have audited the compliance of Southwest Licking Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2002. During the fiscal year ended June 30, 2002, the Southwest Licking Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. Southwest Licking Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Southwest Licking Local School District's management. Our responsibility is to express an opinion on Southwest Licking Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Southwest Licking Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Board of Education  
Southwest Licking Local School District

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southwest Licking Local School District's compliance with those requirements.

In our opinion, Southwest Licking Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2002.

#### Internal Control Over Compliance

The management of Southwest Licking Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southwest Licking Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education of Southwest Licking Local School District, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.  
January 22, 2003

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY  
JUNE 30, 2002**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Title I, CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY  
JUNE 30, 2002**

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 § .505***

**2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**None**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None**



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**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 27, 2003**